

ENERGY

3360 California Energy Commission

The California Energy Commission (CEC) develops and implements California's energy policy. Specifically, the Commission: (1) maintains historical energy data and forecasts future statewide energy needs; (2) sites and licenses thermal power plants; (3) promotes energy efficiency and energy conservation programs and regulations; (4) develops renewable energy resources and alternative energy technologies; and (5) plans for and directs state response to energy emergencies. The Commission's mission is to assess, advocate and act through public-private partnerships to improve energy systems that promote a strong economy and a healthy environment.

Expenditures				
(dollars in thousands)	2003-04	2004-05	\$ Change	% Change
General Fund	\$620	\$0	-\$620	-100.0
St. Energy Conservation Assis. Acct.	33,732	4,027	-29,705	-88.1
Geothermal Resources Development Acct.	-1,200	-1,200	0	0.0
Motor Vehicle Account, State Trans. Fund	126	127	1	0.8
Public Interest, Research and Development and Demonstration Fund	73,658	69,147	-4,511	-6.1
Renewable Resource Trust Fund	136,258	221,456	85,198	62.5
Local Jurisdiction Energy Assis. Acct.	1,853	1,399	-454	-24.5
Energy Resources Programs Acct.	46,031	46,479	448	1.0
Energy Technologies Research, Development and Demonstration Account	431	550	119	27.6
Local Government Geothermal Resources Revolving Subaccount	284	3,542	3,258	92.0
Petroleum Violation Escrow Account	418	198	-220	-52.6
Katz School Bus Fund	1,915	0	-1,915	-100.0
Federal Trust Fund	8,931	8,906	-25	-0.3
Reimbursements	8,495	5,745	-2,750	-32.4
Energy Facility License and Compliance Fund	615	615	0	0.0
Renewable Energy Loan Loss Reserve Fund	278	0	-278	-100.0
Total	\$312,445	\$360,991	\$48,546	15.5

The budget proposes total expenditures of \$361 million (\$0 General Fund), an increase of \$48.5 million (15.5 percent) from the current-year budget.

The increase in the Commission's budget can be attributed to the increase in expenditures from the Renewable Resource Trust Fund (RRTF) by \$85.2 million. It is important to note that there are no increases in revenues to the fund. Instead, the Administration proposes "spending down" (on a one-time basis) the larger-than-necessary fund reserve. The increased need for expenditures is the result of the initial costs of the Renewable Portfolio Standard.

The increase in expenditures from the RRTF are tempered by a \$29.7 million reduction in the State Energy Conservation Assistance Account (due to the exhausting of a one-time bond fund augmentation for an energy assistance loan program) and the completion of the Katz School Bus Program.

Highlights

Shifting Unused Balances from Energy Crisis Appropriations to the General Fund. The Governor proposes to shift \$27.2 million from prior-year unused balances in the energy efficiency and assistance programs to the General Fund. The Commission recently completed a review of these assistance and efficiency programs (primarily funded by SB 5X) to determine future program funding needs and determined that \$27.2 million could be shifted back to the General Fund without adverse effect.

8660 Public Utilities Commission

The California Public Utilities Commission (PUC) is responsible for the regulation of utilities and transportation industries to ensure the delivery of stable, safe, and economical services. The PUC traditionally has met this responsibility by enforcing safety regulations and/or controlling industry rates for service.

The budget proposes total expenditures of \$1.2 billion (all special funds), a decrease of \$73.7 million (5.8 percent) from the current-year budget.

Expenditures (dollars in thousands)	2003-04	2004-05	\$ Change	% Change
State Highway Acct. State Trans. Fund	\$2,398	\$2,395	\$-3	-0.1
Public Trans. Acct, State Trans. Fund	2,243	2,300	57	2.5
Transportation Rate Fund	1,818	1,808	-10	-0.6
PUC Trans. Reimbursement Acct.	7,263	7,675	412	5.7
PUC Util. Reimbursement Acct.	78,378	73,271	-5,107	-6.5
Ca. High Cost A Fund	61,694	59,269	-2,425	-3.9
Ca. High Cost B Fund	522,142	482,384	-39,758	-7.6
Universal Lifeline Tele. Service Fund	245,861	240,356	-5,505	-2.2
Deaf and Disables Telecommunications Trust Fund	69,117	69,165	48	0.1
Payphone Service Providers Fund	851	936	85	10.0
Ca. Teleconnect Fund	26,400	5,274	-21,126	-80.0
Federal Funds	997	993	-4	-0.4
Reimbursements	12,493	12,706	213	1.7
Gas Consumption Surcharge Fund	246,844	246,236	-608	-0.2
Total	\$1,278,499	\$1,204,768	-\$73,731	-5.8

Highlights

Continuation of Limited-Term Staff Positions. The budget proposes converting 15 limited-term staff positions to permanent and reestablishing three positions which were deemed vacant, and therefor eliminated, during the 2003 budget process. These positions are located within the Payphone Service Provider Program, the Universal Lifeline Telephone Service, and the Fiscal Office of the Information Management Services Division.

During the 2002-03 budget process, the programs below became subject to annual appropriation in the Budget Act; prior to this action, the programs had been continuously appropriated via statute. At that time, workload data had been unavailable for the programs, and the Legislature adopted a recommendation by the Legislative Analyst to make the positions limited term, with the requirement that the PUC report to the Legislature on workload statistics. The report has been submitted and the PUC contends that without the permanent establishment of these limited term positions, the programs described below will either become ineffective or will be eliminated due to a lack of staff support.

PUC STAFFING PROPOSALS

Programs	Program Description	Previous Staff	Proposed Permanent Staff
Payphone Service Provider Program (contains 3 components below):	Conducts inspections of payphones to ensure compliance with PUC regulations. Responds to consumer complaints regarding payphones.	7 limited-term staff and 3 positions eliminated for being vacant	10 positions
- Payphone Service Providers Enforcement (PSPE)	Provides for payphones in locations where there none currently provided but are necessary for public health and safety due to a lack of access to other communication devices in an area. Ensures the access to public communication devices for the deaf or hearing-impaired in public buildings and accommodations.		
- Public Police Payphone Program (PPPP)			
- Telecommunications Devices for the Deaf Interim Placement Committee (TPIC)			
Universal Lifeline Telephone Service (ULTS)	The ULTS program subsidizes basic telephone services from 40 carrier providers for 3.5 million customers.	3 limited-term positions	3 positions
Fiscal Office of the Information Management Services Division	The fiscal office manages the 5 funds of the Universal Service Telephone Program (Ca. High Cost A Fund, Ca. High Cost B Fund, Universal Lifeline Telephone Service Fund, Payphone Services Providers Fund, and Ca. Teleconnect Fund). The fiscal office (5 limited term positions) manages all the financial administrative duties of these funds.	5 limited-term positions	5 positions

8665 Consumer Power Authority

The purpose of the California Power Authority (CPA) is to ensure Californians a sufficient supply of electricity at reasonable prices through conservation, new project financing, and greater use of renewable energy, while contributing to cleaner air, climate control, and a better environment.

The budget proposes to eliminate the California Power Authority on September 30, 2004, appropriating \$424,000 for closure costs.

Expenditures				
(dollars in thousands)	2003-04	2004-05	\$ Change	% Change
California Consumer Power and Conservation Financing Authority	\$78,835	\$424	-\$78,411	-99.5
Total	\$78,835	\$424	-\$78,411	-99.5

Issues

Elimination of the California Power Authority (CPA). AB6x1 (Chapter 10, Statutes of 2001) created the CPA to finance, own, operate, and construct power plants, finance energy efficiency measures and renewable energy resources, and develop and implement strategies to facilitate a dependable, reasonably priced supply of natural gas. The CPA is authorized to incur up to \$5 billion in indebtedness through the issuance of bonds for financing the goals of the Authority stated above.

In its short existence, the CPA's objectives have changed considerably, with limited success. At the time of its inception, the energy crisis was winding down and CPA's emphasis was to develop peak generation capacity fueled by clean, renewable fuel sources rather than fossil fuels.

Thus far, the CPA's approach has had mixed results. The Authority established the Demand Reserves Partnership Program which encourages business to reduce their energy consumption during critical times in exchange for cash payment. The Authority also issued \$28 million in bonds for the California Energy Commission to provide funds for loans to local governments for energy efficiency improvements. However, the Authority has not yet financed a significant new electricity generation facility.

In establishing the Authority, the Legislature intended that the Authority be financially self-sufficient by assessing administrative fees on its bond issuances. However, the CPA has not achieved self-sufficiency and has instead accumulated \$10.8 million in loans from the Renewable Resources Trust Fund and the Energy Resources Program Account for its operations.

In addition, the Authority's activities appear redundant of activities being performed by other state energy agencies and private entities in the market. The PUC and investor-owned utilities already operate demand reduction programs that are very similar to the CPA's Demand Reserves Partnership Program. In addition, the California Energy Commission Renewable Energy Program already supports the development of new renewable energy generation. Further, there appears to be little financial advantage in the market to finance power plants through the CPA, primarily because the Authority cannot offer special tax-exempt financing as the State can. Also, the state retains its ability to finance renewable energy producing facilities through the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) at the State Treasurer's Office.

While developed with the best of intentions, it now appears that the Authority's policy mandates are redundant of activities already being performed by other state agencies, the energy market, and financial markets. Furthermore, the fiscal assumptions for funding the operation of the

Authority (through the issuance of bonds) do not appear to be coming to fruition. While it remains important for the state to develop a clear, working policy to encourage either the market to build, or to build outright, the necessary electricity generation capacity to avoid a similar energy crisis that the state experienced a couple years ago, it is unclear if the Authority is the appropriate body to accomplish this goal.

8770 Electricity Oversight Board

The Electricity Oversight Board (EOB) is part of the regulatory oversight structure that was established by the legislation restructuring California's electricity industry in 1996. The board carries out regulatory oversight of major elements of the restructured electricity industry. These include operation and reliability of the electricity transmission system and the operation, efficiency and competitiveness of the markets for bulk energy, transmission and ancillary services. The EOB oversees all activities of the Independent System Operator (ISO) and the Power Exchange. The EOB reviews market and reliability rules; maintenance, repair, and replacement standards; transmission grid plans, and emergency and contingency plans; and continuously monitors market activities. The ISO is an appeal body of the ISO governing board and acts within state jurisdiction. The EOB represents the state and its citizens in litigation before the Federal Energy Regulatory Commission and in regional forums on subjects pertinent to its mission.

The budget proposes total expenditures of \$3.6 million (\$0 General Fund), a decrease of \$257,000 (6.6 percent) from the current-year budget. The slight reduction in overall funding is attributed to reductions from Control Sections 4.10 of the 2003 Budget Act.

Summary of Expenditures				
(dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
General Fund	\$240	\$0	-\$240	-100.0
PUC Utilities Reimbursement Acct.	3,178	3,163	-15	-0.5
Energy Resources Protection Acct	476	474	-2	-0.4
Total	\$3,894	\$3,637	-\$257	-6.6